

# Analysis on the development of private equity investment in China

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**Abstract:** With the continuous development of my country's economy, private equity investment is developing rapidly in our country, and its position in my country's financial system is getting higher and higher. Based on the definition and characteristics of private equity, this research focuses on the related theories of private equity, analyzes the development of private equity, and proposes corresponding countermeasures.

## 1. Introduction

With the sustained and rapid development of our country's economy, the construction of our country's financial system has also continued to improve. At present, the development situation of private equity investment in my country is very good. As a financing method, it is second only to bank loans and issuance of securities. As an active financial force, it continuously promotes the improvement of my country's financial industry and the sustained and healthy development of the economy. It has played a great role in expanding financing channels for SMEs, accelerating the transformation and upgrading of my country's industrial structure, promoting technological innovation and optimizing resource allocation. However, while private equity investment promotes rapid economic growth, there are also many key issues such as lack of industry norms and standards, and imperfect financial mechanisms. To sum up, this research analyzes the definition, development characteristics and current situation of our country's private equity funds and proposes corresponding countermeasures.

## 2. Characteristics of private equity investment

### 2.1 Definition

Private equity investment is referred to as PE in English. It refers to raising capital from institutional investors or wealthy individual investors through directional private placement, and investing it mainly in unlisted equity through public listing, corporate mergers and acquisitions or management repurchases. The act of using assets or shares to obtain profit.

### 2.2 Features

#### (1) Limited investment period

The general private equity investment is 3-5 years, but now due to some relatively strict management regulations, the investment period of private equity investment is limited to ten to thirteen years. After the prescribed time limit has expired, all of its investments must be realized and the profits already obtained must be divided among investors. At present, most private equity investment companies will conduct a strategic analysis of the possibility of realization before investing, and if they find that the budget cannot meet expectations, they will choose to withdraw from the investment.

#### (2) Emphasize management

Under normal circumstances, private equity investment companies are very concerned about a company's incentive policies and professional management team. If they do not have these, or if they have not determined a professional management team for the company, private equity investment companies will not treat the company. Invested. For private equity investment, a good incentive policy for professional managers and a professional management team that can truly

manage are very important evaluation indicators for them.

### (3) Focus on benefits

Private equity investment companies will attach great importance to investment opportunities that may have substantial value-added within a few years. This shows that for private equity investment companies, their first investment targets are definitely not investment projects that can only obtain medium or normal returns, But investment projects with high risks and extremely high compound returns, investment projects that can reach 25% to 30% or even higher returns per year are their first choice.

## **3. The status quo of private equity investment development**

### **3.1 Diversified development of participants**

In addition to investing in private equity investment companies, investors are now beginning to become diversified, mainly social resources, trust companies, securities companies, etc., have obtained the qualifications for private equity investment, and according to the survey, the investment of these companies The potential and the amount of capital invested are huge, bringing new vitality to the market. In order to accelerate economic development and promote the improvement of private equity investment, governments across China have begun to implement government-led foundations to increase the scale and mechanism of private equity investment Continuous improvement.

### **3.2 Independent development of project sources**

The source of the projects of equity private equity funds used to be mainly recommended by the government, industry foundations, banks, accounting firms, entrepreneurs, family and friends. On the one hand, they can establish cooperative relationships and at the same time, they can also jointly invest and make profits. But now, after studying the most valuable links in investment, finding strong companies to choose investment opportunities and self-developed investment opportunities has become the most important way for private equity funds, which is conducive to improving investment yield and success rate.

### **3.3 Joint investment development**

In order to solve the lack of a single fund in terms of capital scale, the need to diversify risks, and to make up for the lack of a single fund in terms of value-added services, private equity investments began to make more joint investments.

## **4. Suggestions**

### **4.1 Improve relevant laws, regulations and policies**

In our country, although the development of private equity investment has been scaled up and has brought a certain level of development to our country's economy, there is still a certain degree of development in the corresponding legal supervision system, regulations and policies, as well as the legal provisions for investment and withdrawal. Of inadequacy. In order to ensure the sustainable and healthy development of my country's private equity investment, a comprehensive regulatory system and corresponding laws and regulations should be established under the guidance of the government to promote the rapid and healthy development of private equity investment while promoting the rapid development of my country's financial market.

### **4.2 Training high-quality private equity investment talents**

The role of private equity investment in the rapid and healthy development of China's financial market and economy is unquestionable, and its development cannot be separated from a large number of high-quality private equity investment management talents, because for private equity investment companies, they want Profit not only requires a certain amount of financial capital, but

also a certain amount of professional knowledge. First of all, companies can cooperate with higher education schools to conduct counterpart training models for financial talents. Aiming at the form of private equity investment, it has cultivated a group of high-quality professional counterparts. Secondly, the company itself should also pay attention to the cultivation of high-quality management talents, and recruit a group of management trainees to train in the direction of the management, and contribute to the development of the company.

## 5. Conclusion

This research is based on the definition and characteristics of private equity investment. The development status of private equity investment in China is analyzed in depth, and the current development status of private equity investment in China is obtained. Based on this, it is concluded that relevant laws, regulations, policies and training are improved. The countermeasures and suggestions for qualified private equity investment talents are hoped to provide certain ideas and ideas for research experts and scholars in this field.

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